



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

May 17, 2005

Limited Internal Control and Compliance Review Management Report

Raymond Johnson, Executive Director
Boswell Regional Center
P. O. Box 128
Magee, Mississippi 39111

Dear Mr. Johnson:

Enclosed for your review are the limited internal control and compliance review findings for the Boswell Regional Center for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Boswell Regional Center:

1. Strengthen controls over purchases;
2. Strengthen controls over drug inventories and issuances;
3. Follow existing policies over patients' personal property and bank accounts at the group homes;
4. Obtain adequate bond coverage for security guards; and
5. Use major medical leave in accordance with state law.

Please review the recommendations and submit a plan to implement them by June 10, 2005. The enclosed findings contain more information about our recommendations.

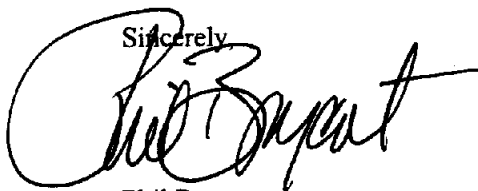
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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I hope you find our recommendations enable the Boswell Regional Center to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Boswell Regional Center throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", with a large, stylized initial "P" and a long, sweeping horizontal stroke at the end.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Boswell Regional Center for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Kayla Jackson, Jay Strait, and Katie Gilmore.

The fieldwork for review procedures and tests was completed on February 24, 2005. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

In performing our review, we noted matters involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Internal Controls over Purchases Should Be Strengthened

Finding:

Testwork performed on purchases at Boswell Regional Center revealed two instances in which the payee did not comply with the terms of the contract.

- A contract for pharmacy services stated the payee was to schedule services for up to a maximum of 10 hours per month as contract pharmacist and on-call pharmacist on an as needed basis. Any and all other services to be provided must be pre-approved by the ICF/MR Community Service Director. Documentation on file showed the payee was paid for 27 hours for one month without prior authorization.
- A contract for a speech pathologist stated the payee was to complete time sheets supporting invoiced amounts which were to be submitted to the Business Service Office to include the date, signature, time in and out each day that services were rendered, and a description of the services performed. When time sheets were requested by the auditor for support of the invoice selected for testing, agency personnel stated that no time sheets were submitted for the entire fiscal year; however, invoiced amounts totaling approximately \$8,000 were paid to the contract employee.

Good internal controls require terms of the contract be reviewed to ensure reasonableness of payments made to contractors. Failure to perform a detailed review of existing contract terms and supporting documentation could allow improper payments to be made.

Recommendation:

We recommend Boswell Regional Center strengthen internal controls over contract payments by ensuring all expenditures are reviewed and approved with supporting documentation maintained on file. We further recommend the agency ensure services are in compliance with the terms of contracts before payments are processed.

Controls over Drug Inventories and Issuances Should Be Strengthened

Finding:

Drug inventory and disbursement testwork performed at Boswell Regional Center Pharmacy revealed the agency failed to log seven out of ten, or 70 percent, of controlled drugs purchased and one out of ten, or 10 percent, of controlled drugs issued in the perpetual inventory log. In addition, one instance was noted in which the agency failed to maintain the Individual Narcotic Count Sheet to ensure controlled drugs were properly tracked. Section 5.5.D.5.3(B) of Boswell Regional Center's Pharmaceutical Policies and Procedures manual requires a perpetual inventory of all narcotics, indicating quantities of receipts, issuances, and the person to whom administered, be maintained by the pharmacy. In addition, Section 5.5.D.2.1.(A)(4) of the Pharmaceutical Policies and Procedures manual requires the coordinator of Pharmacy Services to maintain Pharmacy records. Failure to record controlled drug purchases and issuances in the perpetual inventory log could result in fraud or theft not being detected promptly. In addition, improper record maintenance hinders the performance of a proper and efficient audit.

Recommendation:

We recommend Boswell Regional Center strengthen internal controls to ensure all controlled drug purchases and issuances are recorded in the perpetual inventory log and to ensure supporting documentation for the controlled drugs issued is maintained and readily accessible for audit purposes.

Strengthen Controls to Ensure Existing Policies are Followed

Finding:

In performing testwork at Boswell Regional Center for fiscal year 2004, the various policies and procedures governing operation of the agency's group homes were reviewed. Testwork performed at the Goodwater Home in Magee and the Rosewood and Oakwood Homes in Wesson revealed, for the four individuals tested, the agency failed to:

- maintain a record of items added or deleted on the personal property inventory form;
- perform an inventory of the individual's personal items;
- perform or maintain an inventory list of items brought to the group homes by the individuals;
- ensure agency personnel initialed transactions in the check log to document agreement to support;
- ensure agency personnel initialed the monthly bank reconciliations to document work performed;
- perform a supervisory review of monthly bank reconciliations;
- safeguard the clients check stock in a secured area; and
- perform weekly inventories of clothing.

In addition, at the homes in Wesson:

- clothing inventory was not performed for one month on an individual (Oakwood Home);
- Individual Narcotic Count Sheets could not be located for a 45 day period (Rosewood Home); and
- no reconciliation of the check register was performed for the months of July and August 2003 (Oakwood Home).

Per Section 4.8.1.3 of Boswell's Clothes Procedure Manual, when an individual enters a group home, the agency is to obtain a written account of the personal possessions brought to the living unit and it is to be maintained at all times. As the amount of clothing an individual possesses increases or decreases, Section 1.2.1.7 requires the agency record all inventory changes on the Addition or Deletion form. In addition, Section 1.1.1.3 mandates a weekly inventory of clothing will be taken and this form will be turned in to the Clothing Coordinator. As personal property is acquired or purged, Section 1.2.2.3 requires a monthly inventory be conducted to count everything a client owns. Section 4.8.1 necessitates Residential Living staff cooperating closely with the Business Office and the Reimbursement Officer in providing for the proper handling and protecting of clients' financial interests.

Individual Narcotic Count Sheets are used by nurses to track narcotics on hand for the individual. For the period of February 21, 2004, to April 6, 2004, these sheets could not be located. Good internal controls require documentation be maintained to ensure a proper audit. Failure to maintain adequate internal controls could allow loss or theft of personal property to occur without being detected promptly. Also, failure to maintain Individual Narcotic Counts Sheets could hinder the agency in providing necessary documentation and administration of narcotic drugs to individuals living in the group homes.

Recommendation:

We recommend Boswell Regional Center comply with existing policies and procedures regarding inventories of clothing and personal property to provide appropriate safeguards over property owned by individuals in the care of the agency. We also recommend the agency ensure that narcotic drug tracking sheets are completed and maintained to document treatment provided by the agency.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Adequate Bond Coverage Should be Obtain for Security Guards

Finding:

Review of the employee surety bond documentation at Boswell Regional Center revealed bond coverage was not obtained for one of the nine security guards employed by the agency. Section 41-4-23, Miss. Code Ann. (1972), requires all security guards under the purview of the Department of Mental Health to have bond coverage of not less than \$10,000. Failure to obtain proper bond coverage could result in the agency suffering unrecoverable losses.

Recommendation:

We recommend Boswell Regional Center comply with state law by obtaining adequate bond coverage for all security guards.

Major Medical Leave Should Be Used in Accordance with State Law

Finding:

Testwork performed on leave records of ten employees selected at the Boswell Regional Center revealed three instances in which eight hours of personal or compensatory leave were not taken prior to using major medical leave. Section 25-3-95, Miss. Code Ann. (1972), states major medical leave may be used only after the employee has used eight hours of accrued personal or compensatory leave for each absence due to illness, or leave without pay if the employee has no personal or compensatory leave. The statute further states major medical leave may be used without prior use of personal leave to cover regularly scheduled visits to a doctor's office or a hospital for the continuing treatment of a chronic disease, as certified in advance by a physician, or for death in the employee's immediate family. In the instances noted, no documentation was on file certifying ongoing treatment or chronic illness. Failure to comply with state law could result in unauthorized use of medical leave which could in turn result in misstated personal and major medical leave balances for employees.

Recommendation:

We recommend Boswell Regional Center implement procedures to ensure the use of major medical leave complies with state law. In cases where there is ongoing treatment or chronic illness, there should be certifying documentation from an attending physician.